

Purpose Driven Brands

Every Kao brand will have a purpose for existing that improves quality of life and offers solutions to social issues within the communities or societies it touches to realize a Kirei World in which all life lives in harmony.

Social issues

Globally, there are environmental issues such as climate change and marine plastics, as well as hygiene problems such as pandemics of infectious diseases. In terms of how people live their lives, they are being forced to change their consumption, work styles and much more.

Specifically in Japan, the situation we live in is changing dramatically due to the arrival of a hyper-aging society and the diversification of values and ethnicities.

As with changes in society and the global environment, consumer awareness is also changing. Not wanting to add to disposal caused by mass consumption and purchasing, in response to this more steps are being taken to choose only those things which are necessary.



Cabinet Office: Public Opinion Survey on Climate Change (Conducted in November 2020)
<https://survey.gov-online.go.jp/r02/r02-kikohendo/index.html>
(Japanese)

Now there is demand for a mindset where lifestyle is something created and social issues are something improved through collaboration with consumers.

Policies

When it comes to Kao's brands purpose for existing, we refer to what positive impacts we can make on daily life, society and the planet.

The activities of our purpose driven brand include the following efforts: (1) an explanation of the purpose for existing, (2) specific brand actions, (3) communication.

During our first year of these activities in 2019, we focused on (1) an explanation of the purpose for existing. From 2020 forward, we have been focusing on creating change in the world through (2) specific brand actions and (3) communication, helping consumers enrich their lives. In collaboration with consumers and society at large, we will work on and pursue solutions to social issues as well as global environmental ones.

Strategy

Risks and opportunities

Risks

The speed of change surrounding people, their lifestyles, society as a whole and the environment is likely to keep accelerating. Brands that are less responsive to change run the risk of having their brand value offerings diminished. This will result in less sympathy for the brand and fewer people using it, which will lead to lower loyalty.

Opportunities

In response to diversifying lifestyle values and social environments, Kao will always challenge itself to create brand loyalty through the thoughts expressed in the purpose of our brands, reliable and proven technology, and appropriate communication with consumers.

Strategy

Kao will continue to enhance its purpose-driven brand management. The Consumer Products Business has set out the purpose of our brands, including the main category-leading brands and G11* cosmetics brands. Toward realizing the purpose of these brands, we will pursue activities that encompass product development, communication, enlightenment, and more.

We believe these activities will improve Kao's corporate value as a whole, helping to realize a Kirei world in which all life lives in harmony.

Transmitting information on purpose driven brand activities to our consumers and other stakeholders, regularly assessing the activities, and clarifying results and issues, will further enhance our corporate value.

* The eleven global strategy brands to be strengthened under the new global portfolio that Kao developed in May 2018

Social impact

Gaining approval and support from consumers and successfully having them align their actions with our goals as a result of strengthening our purpose driven brands and receiving support from many consumers will deliver a positive impact to people's lives, society and the planet through our brands.

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GRI 3-3, 404-2

Contributions to the SDGs



Business impact

Strengthening purpose driven brands, and thus obtaining support for the brands from large numbers of consumers, will lead to enhanced awareness of our brands in the market and to the value of the brands' presence being conveyed and resonating with consumers, thereby helping to grow market share. By making brands loved and supported by large numbers of consumers, they will contribute to the business as a whole in the long term.

Governance

Framework

Risk management in relation to purpose driven brands is carried out by the Internal Control Committee, and opportunity management is conducted by the ESG Managing Committee, under the supervision of the Board of Directors. These committees are both headed by the President & CEO.

Risk management in relation to purpose driven brands is conducted by the Internal Control Committee (held twice per year) and its subordinate organization, the Risk & Crisis Management Committee (held four times per year). These committees are headed by the Executive Officer Responsible for Corporate Strategy. Opportunity management in relation to purpose driven brands is conducted by the ESG Managing Committee (held six times per year). Comprising outside experts, the ESG External Advisory Board provides advice and

suggestions on issues raised by the ESG Managing Committee and offers outside viewpoints to be reflected into management, and the ESG Promotion Meeting executes the strategies.

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Education and promotion

Communication with consumers is essential for making a positive impact on daily life, society and the planet. In order to achieve this, we provide training to staff that is based on consumer perspectives, working with ESG-driven management and global unity to reconfirm the purpose for existing as a brand.

In addition, conveying brand attitude and participating in awareness-raising activities in order to create social change together with consumers is important. For instance, with *Bioré u*, we were able to develop a foam hand soap that makes handwashing easier, along with "*Awa Awa Tearai no Uta*," an original handwashing song children can enjoy singing as they wash their hands with it. In this way, we have created an opportunity for children to realize the importance and fun of washing their hands and to live clean and healthy lives through handwashing. With the aim of creating a society where anyone can enjoy learning how to wash their hands thoroughly, we started providing educational materials on handwashing for schools for the blind in 2022. In creating those materials, we prepared inverted text for children with weak eyesight with the cooperation of teachers from many schools. In addition, we came up with various ideas such as a training material that uses large characters and illustrations and enables children to understand the content by touching it. We will continue to provide educational materials that

match changes in society so that children will be able to keep smiling in the future.

P54 Habits for Cleanliness, Beauty & Health > Nurturing the next generation through the provision of educational materials

Collaboration with stakeholders

Consumers are the most important stakeholders concerning our business activities. It is important to foster empathy and action by creating consumer awareness using various means beyond utilizing different types of media and storefronts. These include school education for the next generation and working with local governments and worksites to launch initiatives that serve a hyper-aging society.

Continuously undertaking these efforts will cultivate a shared sense of purpose, activity, and results. As such, we take an approach that drives us to continue the endeavors to realize our vision for individual brands and our company as a whole.

Risk management

For each brand, we create a brand design document with the objective of achieving Purpose. We are committed to building strong brands by reviewing our marketing activities through a PDCA cycle every year.

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P280 Risk and Crisis Management > Governance > Education and promotion > Risk surveys

Targets and metrics

Mid- to long-term targets and 2022 results

Mid- to long-term targets

Clarify the purpose of all of our brands. State the purpose of our brands in a way that is obvious to consumers, and promote consistent communication.

Following the completion of our educational training for brand managers in 2019, we clarified a purpose for each brand. From 2020, we began taking clear, concrete actions in line with these purposes. By 2025 we aim to realize all target activities regarding each of our brands.

Kao will ensure that our individual brands have a purpose for existing that can win the approval of consumers and of society as a whole. From there, we will have those brands align their actions with our goals by responding to changes in consumer lifestyles as well as to social, environmental and hygiene issues, establish evaluation criteria for gauging the status of each brand, and perform verification, and thereby accelerate purpose-driven activities that create a strong bond with consumers. The targets for 2030 are as follows. By 2030, we aim to increase to 100% the percentage of brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness.

2022 results

In 2019, we reviewed our brand design from a Kirei Lifestyle Plan (KLP) perspective, characterized the type of positive impact it will have on people's lives, society and the planet, and began to define our purpose.

From 2020, we began taking clear, concrete actions in line with these purposes.

In 2022, we looked at how the living and social environments have changed over several years due to the impact of the COVID-19 pandemic from the perspective of each brand, and reviewed and defined the purposes of 36 brands the Consumer Products Business considers particularly important. As we bring these purposes to fruition, we are initiating specific actions and communications to create positive change in the world. The 2022 results for the 2030 target are as follows. The 2022 result for the percentage of brands that make a contribution to solving social issues and that make people feel and sympathize with the brand's social usefulness was 53%.

Reviews of 2022 results

In 2022, through practicing purpose driven brand activities in Asia, AEMEA (the Americas, Europe, the Middle East and Africa) as well as within Japan, we confirmed that many of the brands increased market share and received high recognition from users. On the other hand, while recognizing the spread of activities to bring these purposes to fruition and continuing to make new proposals as future objectives and issues to tackle, we will act with conviction in every activity that has an impact on people's lives, society and the global environment. In doing so, we will reinforce the purpose for existing and strengthen customer satisfaction. The following is a review of 2022 results for the 2030 target. This ambitious target is based on a survey of the degree

of empathy that consumers have for individual brands, and indexes the percentage of brands with which they have a high degree of empathy. The majority of brands received a high degree of empathy. On the other hand, some did not perform well. As such, we will take the results seriously and work to achieve a higher level of empathy in the future.

Customer satisfaction level

	2020	2021	2022
Favorability level (%) of the product brand among consumers who use Kao products	70.7%	74.3%	73.0%

Note: Selection percentage of preferred brands in each product category

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GRI 416-1

Main initiatives

Purpose driven brand activities

Laurier: Brand activities that contribute to the daily lives of individuals and to social issues

Our *Laurier* sanitary products brand aims to create a society where women can live safely and comfortably with confidence in their self-expression by making the environment surrounding women's lifelong physiological phenomena better. We are doing this through carefully listening to the voice of every person, always being by their side, and engaging in *Yoki-Monozukuri* amid changing work- and lifestyles.

In addition to product development that assures safety and comfort, as an initiative to reduce problems related to menstruation to the extent possible, in spring 2022 we launched *Laurier* in the Workplace. This is a project to supply sanitary napkins to the workplace, as with toilet paper, where women often tend to push themselves too hard even during menstruation. Around 20 companies agreed to join us in the project's first year, and introduced *Laurier* in the Workplace in their workplaces (including those currently under trial implementation as of November 2022). We are also carrying out the project at Kao. We hear from users that *Laurier* in the Workplace has helped them, and also that they would like it to become the norm. Going forward, we will continue to jointly create a new value that makes both workers and companies happy with those companies who agree to take part in this activity.

In addition, since the launch of our *Laurier* brand, we have been continued to work on education at elementary schools about the beginning of menstruation education as a way to support the next generation. This year, we carried out awareness-raising activities by providing a booklet on the basics of menstruation, as well as sanitary napkins, to around

11,000 schools in Japan and other Asian countries.

Laurier will promote the creation of an environment that eliminates problems related to menstruation and allows women to be even a little more comfortable during menstruation through such activities that improve the environment surrounding menstruation.



Laurier in the Workplace logo



Image of *Laurier* in the Workplace in a restroom

Bioré: Brand activities that contribute to people's lives and to social issues

Owing to the impact of the COVID-19 pandemic, people's awareness of its effect on their lives and of hygiene's importance in their lives has changed, and they are now more much interested in it. Dengue fever is an infectious disease spread by mosquitoes. It has been a major societal problem for countries in Southeast Asia for many years, and is now also spreading to other parts of the world due to the impact of global warming. Kao has also been conducting independent research on how to protect people from mosquitoes in their daily lives. Focusing on mosquitoes' action of landing on the skin, Kao has developed a technology to protect people from mosquito bites by introducing a formulation that covers the skin as a protective shield. This is a new technology with a

mechanism of action that differs from conventional insect repellents such as DEET and Icaridin, which rely on mainly volatile active ingredients. By utilizing this technology, Kao has developed a mosquito repellent product that is not sticky, and is as easy to apply as body lotion. The innovative mosquito repellent product using Kao's unique technology was launched in Thailand under the name *Bioré GUARD Mos Block Serum* in June 2022. A user talked about her reaction to the product: "My kids love playing outside, so I was worried because there are so many mosquitoes out there. But this product is easy to use, smells good, and quickly fits to the skin, so I feel at ease letting my kids play outside (Mother of four- and eight-year-old children)." Kao has formally initiated the #GUARD OUR FUTURE initiative, a global project to protect future lives from mosquitoes. As the first stage of implementation, together with external partners, Kao is making a serious effort to help control dengue fever and other infectious diseases that are spread by mosquitoes. Under #GUARD OUR FUTURE, in addition to cleaning and awareness-raising activities in collaboration with the Ministry of Public Health and local governments in the industrial areas of Thailand, joint awareness-raising and donation activities at schools and hospitals for protecting children (approximately 90 schools in 2022; 200 schools planned for 2023), we are working on field testing to build a system that predicts dengue fever in collaboration with research institutions, universities, and other organizations. In addition, we began collaborating with private companies and the City of Bangkok, who all share the same objective. By awareness-raising Thai citizens on the importance of preventing dengue fever, we encourage them to take preventive actions, aiming to reduce the cases of the disease.

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Viewing the skin as a protective human interface that connects people to people and people to society, the *Bioré* brand is aiming to protect future lives and make a positive contribution to society where people can live with peace of mind. Kao will continue to offer products in a wider range of categories and build new business models that help people, particularly those who are in trouble, through our brands and initiatives.



Bioré GUARD Mos Block Serum



Hosts and guests of honor of an event to raise awareness of dengue fever with the theme of using innovation to control dengue fever: first from left: Mr. Peter Streibl, General Manager, Takeda (Thailand) Limited; fifth from right: Mr. Anutin Charnvirakul, Deputy Prime Minister and Minister of Health, Thailand; fourth from right: Mr. Kazuya Nashida, Ambassador Extraordinary and Plenipotentiary of Japan to Thailand; third from right: Mr. Yoshihiro Hasebe, President and CEO of Kao Corporation; second from right: Mr. Yuji Shimizu, President of Kao Industrial (Thailand) Co., Ltd.



Kao Launches *Bioré GUARD Mos Block Serum*, a Newly-developed Mosquito Repellent Product, in Thailand
<https://www.kao.com/global/en/newsroom/news/release/2022/20220615-001/>

Kao jointly holds an enlightenment event on dengue fever enlightenment event with the Minister of Health of Thailand: Kao announces specific initiatives for the Protecting Future Lives from Mosquitoes project and its resolution
<https://www.kao.com/jp/newsroom/news/release/2022/20220630-001/>
 (Japanese)

KANEBO: Brand activities to support the lifestyles of individuals and contribute to social issues

Under the concept, “I HOPE. Going beyond beauty, *KANEBO* heightens hope,” the *KANEBO* brand aims to create a message of hope for the future, as well as unique products, and to be a brand that brings about new insights to overcome stereotyping and a sense of despair. In 2022, *KANEBO* sent out its brand message, “Be Positive,” to encourage people living in a world filled with a sense of despair due to the COVID-19 pandemic to take a step forward. Our feelings in the message brought a sense of excitement and emotional uplift to our customers, business partners, and employees, and they developed empathy for the *KANEBO* brand.

KANEBO is committed to creating an exciting future and a world where everyone can demonstrate their innate potential and let their personality shine through, focusing on five actions:

1. Diversity design
2. Women's empowerment
3. Positive aging
4. Children's growth
5. Future oriented

The five actions can be largely divided into two groups. In the first group of actions, *KANEBO* is working on *Yoki-Monozukuri*, communication development, and counseling development that take into consideration people who live beyond the common idea that cosmetics are divided by gender, to realize a brighter society where the value of individuality is respected. *KANEBO Lively Skin Wear*, a foundation launched in 2022 by the *KANEBO* brand, fulfills two major conflicting needs: providing effective cover and creating a youthful appearance with smooth tone and texture. The new foundation, which set forth a new concept of lively skin with make-up effects provided by new *KANEBO* technology, became a hot topic due to its sales being approximately three times higher than the sell-out plan prepared before launch.

In the second group of actions, *KANEBO* is working to support new generations as well as activities that take the global environment into consideration, to achieve an exciting future. In November 2022, we held “Paint Hope on a Wall—Let's Draw a Big Smile Together—,” an art event intended to create hope for children. With the hope of providing opportunities to further expand children's creativity and extend their individuality, paint used was recycled from makeup items that had not been turned into products during the development process. Through an art experience in which the entire wall was used as a canvas to freely paint a picture, children came up with an idea different from usual and realized some of their potential. We held the event with the wish that such their experience would lead to hope for the future.

Under the brand message for 2023, Feel the Power of Hope, *KANEBO* will continue to work on initiatives for a future full of hope.

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KANEBO brand message



KANEBO Lively Skin Wear



PAINT HOPE on WALL
—Let's draw a big smile together!—



I Hope. KANEBO 5 Actions
https://www.kanebo-global.com/global/en/brand_concept/our_action/

KANEBO: "PAINT HOPE on WALL—Let's draw a big smile together!—"
https://www.kanebo-global.com/global/en/topics/paint_hope_on_wall/